

2018 Financial Report

Caisse Desjardins de Chomedey

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March 12, 2019

Report on the results of applying specified auditing procedures to the financial report of the Caisse Desjardins de Chomedey (the “Caisse”) prepared by the management of the Caisse

To the members of the *Fédération des caisses Desjardins du Québec*

We are the independent auditor of the separate combined financial statements of the Desjardins caisses in Quebec (the “combined financial statements of the Desjardins caisses”), on which we expressed an unmodified opinion on February 27, 2019.

With respect to the accompanying financial report of Caisse prepared by the management of the Caisse, we were engaged by the members of the *Fédération des caisses Desjardins du Québec* to agree the financial information contained in the financial report of the Caisse with the accounting records that include the Caisse’s specific accounting adjustments and were used to prepare the combined financial statements of the Desjardins caisses in Quebec for the year ended December 31, 2018 (the “procedures”).

We confirm that we agreed all financial information contained in the accompanying financial report of the Caisse for the year ended December 31, 2018 with the accounting records that include the Caisse’s specific accounting adjustments and were used to prepare the combined financial statements of the Desjardins caisses in Quebec for the year then ended, and we confirm that we found no exceptions.

In particular, as part of our procedures, we agreed the following financial information of the Caisse:

Total assets:	487,644,000	\$
Total equity:	43,929,000	\$
Net surplus earnings for the year after member dividends:	3,707,000	\$

These procedures do not constitute an audit of the financial report of the Caisse as at December 31, 2018, and therefore we express no opinion on the financial report of the Caisse as at December 31, 2018.

*PricewaterhouseCoopers LLP*¹

¹ FCPA auditor, FCA, public accountancy permit No. A108517

BALANCE SHEET (unaudited)

(in thousands of Canadian dollars)	As at December 31, 2018 ⁽¹⁾	As at December 31, 2017
ASSETS		
Cash and deposits with financial institutions	\$ 4,915	\$ 3,956
Investment in liquidity fund under management	16,233	14,694
Loans		
Personal	357,734	363,861
Business	78,479	80,914
	436,213	444,775
Allowance for credit losses	621	1,287
	435,592	443,488
Investments in the Federation	23,607	27,158
Other assets		
Derivative financial instruments	4,278	4,875
Property, plant and equipment	893	903
Other	2,126	2,849
	7,297	8,627
TOTAL ASSETS	\$ 487,644	\$ 497,923
LIABILITIES AND EQUITY		
LIABILITIES		
Deposits		
Term savings	\$ 139,878	\$ 141,623
Other	142,729	131,827
	282,607	273,450
Borrowings	154,169	176,436
Other liabilities		
Derivative financial instruments	1,972	2,033
Net defined benefit plan liabilities	1,610	1,762
Other	3,357	2,801
	6,939	6,596
TOTAL LIABILITIES	443,715	456,482
EQUITY		
Capital stock	1,702	2,545
Distributable surplus earnings	6,916	2,408
Accumulated other comprehensive income	6	1,176
Reserves	35,305	35,312
TOTAL EQUITY	43,929	41,441
TOTAL LIABILITIES AND EQUITY	\$ 487,644	\$ 497,923

⁽¹⁾ The information presented as at December 31, 2018, takes into account the standards adopted on January 1, 2018. The comparative data have not been restated. For more information, see Note 2, "Basis of presentation and significant accounting policies" to the Combined Financial Statements of the Desjardins caisses in Québec, for the year ended December 31, 2018, available at www.desjardins.com.

STATEMENTS OF INCOME
(unaudited)

For the years ended December 31

(in thousands of Canadian dollars)	2018 ⁽¹⁾	2017
INTEREST INCOME	\$ 14,232	\$ 13,382
INTEREST EXPENSE	7,052	6,392
NET INTEREST INCOME	7,180	6,990
OTHER INCOME	2,670	2,799
PROVISION FOR CREDIT LOSSES (RECOVERY)	310	(416)
NON-INTEREST EXPENSES		
Salaries and fringe benefits	2,650	2,535
Assessments paid to Desjardins Group components	1,280	1,377
Computer services	911	800
Community Development Fund expenses	51	20
Other	2,149	2,468
	7,041	7,200
OPERATING SURPLUS EARNINGS	2,499	3,005
Income on investments in the Federation	2,399	2,206
Loss related to fair value of derivative financial instruments	(114)	(151)
SURPLUS EARNINGS BEFORE TAXES AND MEMBER DIVIDENDS	4,784	5,060
Income taxes on surplus earnings	656	670
SURPLUS EARNINGS BEFORE MEMBER DIVIDENDS	4,128	4,390
Member dividends	574	100
Tax recovery on member dividends	(153)	(27)
NET SURPLUS EARNINGS FOR THE YEAR AFTER MEMBER DIVIDENDS	\$ 3,707	\$ 4,317

⁽¹⁾ The information presented for the year ended December 31, 2018, takes into account the standards adopted on January 1, 2018. The comparative data have not been restated. For more information, see Note 2, "Basis of presentation and significant accounting policies", to the Combined Financial Statements of the Desjardins caisses in Québec, for the year ended December 31, 2018, available at www.desjardins.com.

STATEMENTS OF CHANGES IN EQUITY
(unaudited)

For the years ended December 31

	Capital stock	Distributable surplus earnings	Accumulated other comprehensive income	Reserves								Total equity
				Appreciation reserve (investments in the Federation's investment funds)	Appreciation reserve (derivative financial instruments)	Appreciation reserve (employee benefit plans)	General reserve	Stabilization reserve	Reserve for future member dividends	Community Development Fund	Total reserves	
(in thousands of Canadian dollars)												
BALANCE AS AT DECEMBER 31, 2016	\$ 3,355	\$ 2,654	\$ 963	\$ 11,406	\$ 215	\$ (1,229)	\$ 16,915	\$ 1,631	\$ 2,131	\$ 178	\$ 31,247	\$ 38,219
Distribution by members at the 2017 general meeting												
Interest on permanent and surplus shares	-	(131)	-	-	-	-	-	-	-	-	-	(131)
Transfer from (allocation to) reserves	-	(2,523)	-	-	-	-	2,523	-	-	-	2,523	-
Balance after distribution	3,355	-	963	11,406	215	(1,229)	19,438	1,631	2,131	178	33,770	38,088
Net surplus earnings for 2017 after member dividends	-	4,317	-	-	-	-	-	-	-	-	-	4,317
Other comprehensive income for the year	-	(381)	213	-	-	-	-	-	-	-	-	(168)
Statutory transfer	-	(1,542)	-	1,718	(111)	(65)	-	-	-	-	1,542	-
Net amounts used during the year	-	14	-	-	-	-	-	-	-	(14)	(14)	-
Equity transactions related to other investments in the Federation	-	-	-	14	-	-	-	-	-	-	14	14
Redemption of permanent shares	(766)	-	-	-	-	-	-	-	-	-	-	(766)
Other net change in capital stock	(44)	-	-	-	-	-	-	-	-	-	-	(44)
BALANCE AS AT DECEMBER 31, 2017	\$ 2,545	\$ 2,408	\$ 1,176	\$ 13,138	\$ 104	\$ (1,294)	\$ 19,438	\$ 1,631	\$ 2,131	\$ 164	\$ 35,312	\$ 41,441
Impact of changes in accounting methods ⁽¹⁾	-	-	(85)	82	-	-	569	-	-	-	651	566
OPENING BALANCE AS AT JANUARY 1, 2018	\$ 2,545	\$ 2,408	\$ 1,091	\$ 13,220	\$ 104	\$ (1,294)	\$ 20,007	\$ 1,631	\$ 2,131	\$ 164	\$ 35,963	\$ 42,007
Distribution by members at the 2018 general meeting												
Interest on members' permanent and surplus shares	-	(85)	-	-	-	-	-	-	-	-	-	(85)
Transfer from (allocation to) reserves	-	(2,310)	-	-	-	-	2,260	-	-	50	2,310	-
Net adjustment related to member dividends	-	(13)	-	-	-	-	-	-	-	-	-	(13)
Balance after distribution	2,545	-	1,091	13,220	104	(1,294)	22,267	1,631	2,131	214	38,273	41,909
Net surplus earnings for 2018 after member dividends	-	3,707	-	-	-	-	-	-	-	-	-	3,707
Other comprehensive income for the year	-	212	(1,085)	-	-	-	-	-	-	-	-	(873)
Statutory transfer	-	2,446	-	(2,473)	(84)	111	-	-	-	-	(2,446)	-
Net amounts used during the year	-	542	-	-	-	-	-	-	(505)	(37)	(542)	-
Equity transactions related to other investments in the Federation	-	-	-	54	-	-	-	-	-	-	54	54
Redemption of permanent shares	(787)	-	-	-	-	-	-	-	-	-	-	(787)
Other net change in capital stock	(56)	-	-	-	-	-	-	-	-	-	-	(56)
Interest on permanent and surplus shares	-	(4)	-	-	-	-	-	(34)	-	-	(34)	(38)
Net adjustment related to member dividends	-	13	-	-	-	-	-	-	-	-	-	13
BALANCE AS AT DECEMBER 31, 2018	\$ 1,702	\$ 6,916	\$ 6	\$ 10,801	\$ 20	\$ (1,183)	\$ 22,267	\$ 1,597	\$ 1,626	\$ 177	\$ 35,305	\$ 43,929

⁽¹⁾ The information presented for the year ended December 31, 2018, takes into account the standards adopted on January 1, 2018. The comparative data have not been restated. For more information, see Note 2, "Basis of presentation and significant accounting policies", to the Combined Financial Statements of the Desjardins caisses in Québec, for the year ended December 31, 2018, available at www.desjardins.com.

NOTE TO THE FINANCIAL REPORT (unaudited)

NOTE 1 – TYPE OF OPERATIONS AND BASIS OF ACCOUNTING

The Caisse Desjardins de Chomedey (the *caisse*) is a cooperative whose purpose is to accept and help grow the savings of its members, as well as to extend credit and provide other financial products and services to its members. Its mission also includes fostering cooperation and promoting economic, social and cooperative education. It is governed by the *Act Respecting Financial Services Cooperatives* (the Act).

The *caisse* is registered with the Autorité des marchés financiers (AMF) in Quebec. It is also a member of the Fonds de sécurité Desjardins, whose main purpose is to establish and administer a security, liquidity and mutual aid fund for the benefit of Desjardins caisses in Quebec.

The *caisse* is a member of the Fédération des caisses Desjardins du Québec (the Federation), which controls other components that together make up Desjardins Group.

This financial report has been prepared in accordance with the requirements set out in the Act. The *caisse* applies accounting policies similar to those used to prepare the combined financial statements for Desjardins caisses in Quebec, which are prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board. Some figures from the prior year were reclassified for consistency with the presentation of the current year's financial statements. This reclassification did not affect the *caisse*'s surplus earnings or total assets and liabilities.